



Firm		Strategy	
Founded	1972	The objectives are to generate consistent excess returns and effectively manage risk.	Inception 3/31/98
Headquarters	Bethesda, Maryland	The strategy employs a concentrated, low-turnover approach investing in predominantly large capitalization companies with proven records of increasing revenues, earnings, and cash flows on a consistent and sustainable basis.	Benchmark Russell 1000® Growth
Ownership	100% Employee Owned		Portfolio Managers Jeffrey Lent
Firm Assets <sup>1</sup>	\$697M		James Bailey, CFA
Firm AUM	\$528M		Investment Committee James Bailey, CFA
Employees	11		Shawn Hendon, CFA
			Jeffrey Lent
			Brian Zaczynski, CFA

<sup>1</sup> Firm assets includes non-discretionary UMA assets under advisement.

### Concentrated Large Growth Composite

For the quarter, the Large Cap Growth Composite underperformed its benchmark, the Russell 1000 Growth Index, returning -4.75% gross (-4.90% net of fees) vs. -3.60% for the Index. Over the past 12 months, Composite returns outperformed, returning -21.43% gross (-21.96% net of fees) vs the benchmark's -22.59%. A few exceptionally large stocks dominate the benchmark. Its top five holdings represent nearly 40% of the entire Index's value – a level of concentration that strikes us as high risk (more on concentration below). We believe this also reduces the value of the Index as a benchmark because relative returns simply reflect the one decision to overweight or underweight these few mega stocks. Regardless, our year-to-date trading activity, intended to increase exposure to higher growth companies at lower prices, had a negative impact, at least over this short horizon, as interest rate uncertainty remains the primary driver of stock returns.

No new stocks were added to the portfolio during the quarter, although we increased the weights of several current holdings. We sold Entegris (ENTG), a supplier of consumable materials to the semiconductor industry, to reduce clients' realized capital gains for the year. We reinvested the proceeds into other existing holdings that offer similar exposure to semiconductor manufacturing. We believe semiconductor companies are attractive investments because of secular tailwinds supporting above-average growth, but ownership requires careful risk management.

### Market

The third quarter of 2022 was challenging. Although stock indices in general declined modestly – the S&P 500 was only down 4.88% – macroeconomic indicators sharply deteriorated. The core of the problem is the conflicting direction of expansionary fiscal policy and tightening monetary policy. The Federal government is working against itself, using massive programs measured in trillions of dollars with long time lags to implement. The dangers, of course, are the potential outcomes on either side of these policies: tight monetary policy risks a recession, and easy fiscal policy continues to fuel inflation. These negatives reduce the positive impacts of improving supply and labor market durability, factors we were hoping would produce a 'soft landing' (reduced inflation without a recession). We are pushing out our forecast for a better economy in 2023, although we expect financial markets to recover before the economy.

In this volatile environment, the investment team is attempting to upgrade the portfolio by buying stocks of companies we believe are well positioned, funded by capital from selling companies in which we have lower conviction. Historically, bear markets increase the correlation of equity returns as fear displaces rational decision making, causing investors to react negatively and often without regard to fundamentals. We think this anomaly is exploitable by long-term investors with the discipline to act, like in 2001/02 and again in 2008. With this objective, we are reviewing the entire portfolio and prospects, asking the questions "to what degree has our investment thesis been impaired?" and "is the investment attractive relative to the available opportunity set?" As we answer these questions, portfolio activity has modestly increased compared to past levels. Our emphasis on attractive business models and risk management is unchanged.

### Concentration

We purposefully construct portfolios that generally range between 20 to 30 companies, fewer positions than many of our peers. Our decades of experience have taught us the value of only investing in our highest conviction ideas while remaining focused on effectively managing risk by diversifying across themes and economic factors. A core part of our process is the use of correlation analysis of portfolio holdings to each other and to broader factors (we highlighted this process in the 1st quarter 2022 letter). This quantitative analysis supplements our bottom-up research, allowing us to construct concentrated, yet diversified portfolios more confidently. This also means we avoid investments we judge to be low-quality and high-risk. If we are doing our jobs correctly, we attempt to reduce the probability of incurring negative outcomes over time. As such and somewhat contrary to accepted theory, concentration – in our view – is an important risk management tool.

### Firm News

Torrays appointed Bryan Leibrand, CIMA® to the newly created role of Director of Business Development in September 2022. Mr. Leibrand has over 23-years of experience in the investment management industry. You can reach Bryan at bleibrand@torrays.com or (301) 493-4600, ext. 225.

Annualized Total Returns (%)							
	MRQ <sup>2</sup>	YTD <sup>2</sup>	1-Year	3-Year	5-Year	10-Year	ITD
<b>TCLG Comp. (gross)</b>	-4.8	-28.9	-21.4	10.0	10.4	12.3	8.0
<b>TCLG Comp. (net)</b>	-4.9	-29.3	-22.0	9.3	9.8	11.7	7.3
<b>Russell 1000 Growth</b>	-3.6	-30.7	-22.6	10.7	12.2	13.7	7.1
<b>S&amp;P 500</b>	-4.9	-23.9	-15.5	8.2	9.2	11.7	6.9

<sup>2</sup> Most Recent Quarter (MRQ) and Year-to-Date (YTD) not annualized.  
As of 09/30/22. Torray Concentrated Large Growth Inception: 3/31/98.

Calendar Year Returns (%)										
Year End	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>TCLG Comp. (gross)</b>	27.5	32.6	33.9	-3.0	25.3	7.3	-0.9	10.5	33.3	21.1
<b>TCLG Comp. (net)</b>	26.7	31.8	33.4	-3.3	24.9	6.9	-1.2	9.8	32.3	20.2
<b>Russell 1000 Growth</b>	27.6	38.5	36.4	-1.5	30.2	7.1	5.7	13.1	33.5	15.3
<b>S&amp;P 500</b>	28.7	18.4	31.5	-4.4	21.8	12.0	1.4	13.7	32.4	16.0

Portfolio Characteristics							
Portfolio Statistics	Portfolio	Russell 1000 Growth	Sector Allocation	% Portfolio	% Russell 1000 Growth	Top 10 Holdings	% of Portfolio
Holdings	<b>26</b>	518	Info. Tech.	<b>42</b>	43	Apple Inc.	<b>6.5</b>
Avg. Mkt. Cap. \$B (wtd)	<b>468</b>	708	Health Care	<b>18</b>	12	Microsoft Corporation	<b>6.2</b>
ROE (1 yr)	<b>29%</b>	34%	Cons. Disc.	<b>14</b>	17	Amazon.com, Inc.	<b>6.1</b>
Turnover	<b>16%</b>	10%	Industrials	<b>6</b>	7	Alphabet Inc. Class A	<b>5.8</b>
EPS Growth (est.)	<b>15%</b>	17%	Comm. Services	<b>6</b>	7	O'Reilly Automotive, Inc.	<b>5.4</b>
EPS Variability	<b>28%</b>	39%	Real Estate	<b>4</b>	2	Visa Inc. Class A	<b>4.6</b>
Standard Deviation	<b>18%</b>	20%	Financials	<b>4</b>	3	American Tower Corp.	<b>4.2</b>
Alpha	<b>-0.4</b>		Materials	<b>3</b>	1	Royalty Pharma Plc Cl A	<b>4.2</b>
Beta	<b>0.88</b>		Cons. Stpls.	<b>0</b>	6	Charles Schwab Corp.	<b>4.0</b>
Up Market Capture	<b>82%</b>		Energy	<b>0</b>	1	Fiserv, Inc.	<b>3.8</b>
Down Market Capture	<b>96%</b>		Utilities	<b>0</b>	0	<b>Total</b>	<b>50.7</b>
			Cash	<b>2</b>	0		

Figures are dollar-weighted averages, unless noted. Shaded Portfolio Statistics are 5-yr averages. Strategy holdings and sector allocations are subject to change and should not be considered a recommendation to buy or to sell any security. **Past performance is not indicative of future results. See performance footnotes.** Source: FactSet and Torray, LLC.

The Torray Concentrated Large Growth Composite includes all discretionary fee paying portfolios over \$100 thousand managed under the Torray large capitalization strategy. Prior to December 31, 2017, the composite account minimum was \$250 thousand. For comparison purposes, the composite is measured against the S&P 500 and the Russell 1000<sup>®</sup> Growth indices. The Russell 1000<sup>®</sup> Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500 measures the value of stocks of the 500 largest corporations by market capitalization listed on the New York Stock Exchange or Nasdaq Composite. The strategy focuses on equity investments in primarily large cap companies which Torray believes have sustainable growth profiles. Prior to July 1, 2010, this composite was known as the Concentrated Large Growth Composite and was managed by Resolute Capital Management LLC (Resolute). Resolute joined Torray when Torray purchased a majority share of Resolute on July 1, 2010.

Torray LLC is an independent registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The firm maintains a complete list and description of composites and broad distribution pooled funds, which is available upon request. To obtain a GIPS Report for the strategy presented, please contact the firm using the phone number listed below.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented gross or net of foreign withholding taxes on dividends, interest income, and capital gains depending on the custodian. Withholding taxes may vary according to the investor's domicile. Past performance is not indicative of future results. GIPS<sup>®</sup> is a registered trademark of the CFA Institute. The CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. The management fee schedule is as follows: 1.00% on assets up to \$5 million, 0.75% on next \$20 million, 0.50% on next \$175 million; 0.375% on next \$100 million, and 0.25% on balance. Actual investment advisory fees incurred by clients may vary. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Composite was created June 1, 1999 and has an inception date of April 1, 1998. Prior to January 1, 2001, the minimum was applied on a per relationship basis, i.e. if a group of accounts held by the same person or family exceeded the minimum, as few as one account within the group could be included in the Composite.

On October 1, 2021, the portfolio manager responsible for managing the composite left the firm. The composite has subsequently been managed by co-portfolio managers who have been members of the strategy's investment committee, and involved in all portfolio research and investment decisions, since 1999. Prior to January 1, 2022, the composite was known as the Torray/Resolute Concentrated Large Growth Composite.

## Contact

**Business Development**  
Bryan Leibbrand, CIMA<sup>®</sup> Director  
bleibrand@torray.com

**Client Relations & Marketing**  
Breck Scalise, Director  
bscalise@torray.com

301.493.4600  
855.753.8174 (toll free)  
**www.torray.com**